

Message Text

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ACTION ARA-14

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C O N F I D E N T I A L HAVANA 0554

EO 11652: GDS
TAGS: ETRD EEWT EPAP CU CZ
SUBJ: CUBANA-CZECHOSLOVAK ECONOMIC RELATIONS

1. USINT OFFICER, FEBRUARY 28, CALLED ON PAVEL BIRES AND
MARIAN KOVAC, COMMERCIAL COUNSELOR AND ATTACHE OF CZECH EMBASSY,
TO DISCUSS CZECH-CUBAN ECONOMIC RELATIONS.

2. CZECHS STATED THAT 1978 CUBAM-CZECH TRADE IROTOCOL CALLS
FOR BALANCED TWO-WAY TRADE TOTALLING K111 MILLION GUBLES -
A FIFTY PERCENT INVRZASE OVER 1977 VOLUME. (THIS FIGURE INCLUDES
CUBAN PAYBACK OF OLD CZECH CREDITS, BUT NO VALUE OF NEW CZECH
CREDITS-WHICH ARE ACCOUNTED SEPARATELY.HCZECHS STWTED THAT, WHILE
CURRENT TRADE, THEREFORE, ISNOT BALANCED, PRAGUE'S PRESUMPTION
IS THAT LONG-TURN BALANCE WILL BE ACHIEVED THROUGH TRADE
IMBALANCEIN CZECH FAVOR IN NEXT DECADE.)

3. CZECHS HAVE COMMITTED THEMSELVES IN 1978 TO BUY SOME
95 THOUSAND TONS OF CUBAN SUGAR. THIS IS MAJOR INCREASZ
OVER 55 THOUSAND TONS PURCHASED ON 1977 AND IS IN ACCORD-
ANCE WITH CZECH FIVE YEAR AGREEMENT (TERMINATING IN 1980)
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WITH CUBA CALLING FOR AVERAGE ANNUAL PURCHASE OF 80
THOUSAND TONS.

4. CZECHS STATED THAT, ALTHOUGH THEY ARE NET SUGAR
EXPORTERS, IMPORTATION OF CUBAN SUGAR ALLOWS THEM TO KEEP
MILLS OPERATING IN CZECHOSLOVAKIA AFTER END OF BEET SEASON
IN OCTOBER, NOVEMBER. CZECHS, HOWEVER, CONSIDER SUGAR

PURCHASES (EXECUTED AT STANDARD NON-SOVIET COMECON 325 RUBLES PER TON PRICE) AS FORM OF AID. (FYI CZECHS SAID THAT SINCE BULD OF THEIR EXPORTS IS HIGH-QUALITY MACHINERY THAT COULD BE MERCHANDISED IN FREE MARKET, CZECH EXPORTS, IN ESSENCE, CONSTITUTES HARD CURRENCY CONTRIBUTIONS TO CUBA).

5. BESIDES SUGAR, CZECHS IN 1978 EXPECT TO IMPORT ABOUT THREE THOUSAND TONS OF NICKEL OXIDE AND SINTER (AT STANDARD NON-SOVIET COMECON PRICE, WHICH REPORTEDLY IS 4200 RUBLES PER TON FOR SINTER), SOME TWENTY THOUSAND TONS OF CITRUS (DELIVERED BY GDR REFRIGERATED SHIPS), SOME TWO MILLION CIGARS, AND 2600 HECTOLITERS OF RUM. (WE WONDER WHETHER CZECHS MAY HAVE MEANT TO SAY ALCOHOL.)

6. WHILE CZECHS SAID THEY WOULD LIKE TO EXPAND CITRUS PURCHASES, MAJOR PROBLEM REMAINS AVAILABILITY OF REFRIGERATED TRANSPORT FROM CUBA. (RAIL TRANSPORT FROM GDR APPARENTLY

PRESENTS NO PROBLEM). CUBANS HAVE TOLD THEM THAT NO SEAFOOD IS AVAILABLE FOR PURCHASE.

7. CZECHS SAID THAT PRICES FOR THEIR PURCHASES AND SALES TO CUBA REMAIN AT 1975 LEVEL UNTIL 1980. NEW PRODUCTS NOT SOLD BEFORE 1975 ARE PRICED ON BASIS OF FIVE YEAR FREE MARKET PRICE AVERAGE.

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8. WITH REGARDS TO CREDITS, CZECHS SAID THAT THEY PROVIDE CREDITS ONLY FOR CONSTRUCTION OF WHOLE PLANTS (AT TERMS OF 12 YEAR MATURITY, 2 PERCENT INTEREST, WITH PAYMENT TO BEGIN IMMEDIATELY UPON DELIVERY - WHAT IF, PAYMENT IS NOT POSTPONED, AS IN THE CASE OF SOME OTHER WESTERN AND EE CREDITS, UNTIL AFTER INSTALLATION. CZECHS INDICATED THAT THEY HAVE HAD SAD EXPERIENCE WITH INSTALLATION DELAYS.)

9. CZECHS SAID THAT BULK OF CREDITS PROVIDED TO CUBA HAVE BEEN FOR CONSTRUCTION OF THERMOELECTRIC PLANTS (GENERATING FACILITIES IN REGLA, CIENFUEGOS, SANTIAGO, AND NUEVITAS WERE CITED.) SINCE CONSTRUCTION BEGAN DURING 1960'S CZECHS INDICATED THAT THEY ARE CURRENTLY RECEIVING ANNUAL SHIPMENTS OF SUGAR, NICKEL, AND CHROME (IN SUMS THAT VARY BY MUTUAL AGREEMENT EACH YEAR) AS REPAYMENT FOR THESE PLANTS. (COMMENT: CZECHS WOULD NOT PROVIDE TOTAL

SUM FOR ACCUMULATED CUBAN DEBT. WE NOTE, HOWEVER, THAT, UNLIKE SOVIETS, CZECHS APPARENTLY HAVE NOT POSITIONED REPAYMENT OF CUBAN DEBT.) CZECHS INDICATED THAT DISCUSSIONS HAVE BEEN HELD ON THEIR PARTICIPATION IN PLANNED CIENFUEGOS NUCLEAR-GENERATING PLANT, BUT THEY INDICATED THAT BEGINNING

OF CONSTRUCTION WOULDNOT OCCUR UNTIL NEXT FIVE YEAR PLAN.

10. WITH REGARD TO MEW PRODUCTS INTRODUCED THIS YEAR TO
HELP CUBANS REDUCE CAPITALIST AREA IMPORTS, CZECHS SAID
THEY WILL PROBABLY SUPPLY FOR FIRST TIME CERTAIN PAPER,
CARDBOARD, AND CHEMICAL PRODUCTS, BUT AMOUNTS WILL BE SMALL.
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